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**BOARD OF COMMISSIONERS OF**  
**THE PORT OF NEW ORLEANS**  
**LOUISIANA**

**FINANCIAL STATEMENTS**

**JUNE 30, 2013 AND 2012**

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Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

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**BOARD OF COMMISSIONERS OF**  
**THE PORT OF NEW ORLEANS**  
**LOUISIANA**

**FINANCIAL STATEMENTS**

**JUNE 30, 2013 AND 2012**

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## **INDEPENDENT AUDITORS' REPORT**

The Board of Commissioners of the  
Port of New Orleans:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of the Board of Commissioners of the Port of New Orleans (the Port) as of June 30, 2013 and 2012 and the related notes to the financial statements, which collectively comprise the Port's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Port as of June 30, 2013 and 2012, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 11 and the Schedules of Funding Progress presented on page 49 and 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2013, on our consideration of the Port's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Port's internal control over financial reporting and compliance.



Metairie, Louisiana  
September 18, 2013

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

This section of the Board of Commissioners of the Port of New Orleans (the Board) annual financial report presents a discussion and analysis of the Board's financial performance for the Fiscal Year ended June 30, 2013. Please read it in conjunction with the Board's financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

The Board's financial performance for Fiscal Year 2013 is highlighted by stronger operating revenue generation for the third year in a row. Operating revenue was in excess of \$50 million for the first time in the Board's history. Operating expense increased as well for Fiscal Year 2013. This combination produced net operating income of \$12.5 million before depreciation. The increase in overall operating revenue was due to increases in cruise passenger revenue and real estate. Higher volumes of passengers sailed from the Port of New Orleans as demand for cruising vacations increased. This demand was accommodated by the cruise lines with the replacement of lower capacity vessels with larger vessels. The real estate revenue increased as new leases were entered into as well as certain increases in rates on current leaseholds. The Board's net assets increased \$4.5 million resulting primarily from capital revenue from state and federal sources offset by an operating loss. In comparison, Fiscal Year 2012 had an increase of \$48.3 million in net assets as the operating loss and non-operating expenses were offset by significant capital contributions.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This financial report consists of four parts: management's discussion and analysis (this section), the basic financial statements, the notes to the financial statements and reports on compliance and internal control over financial reporting and federal programs.

The Board's financial statements are prepared on an accrual basis in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. Under this basis of accounting, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, and depreciation of assets is recognized in the Statements of Revenues, Expenses, and Changes in Net Assets. All assets and liabilities associated with the operation of the Board are included in the Statement of Net Assets.

The financial statements provide both long and short-term information about the Board's overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

**FINANCIAL ANALYSIS**

**Net Assets**

The Board's total assets at June 30, 2013 are \$733.7 million. This represents a decrease of \$9.9 million or 1.3 percent from the prior year. Total liabilities are \$144.1 million for a decrease of \$14.4 million or 9.0 percent. Total net position is \$589.6 million, an increase of approximately \$4.5 million or 0.8

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

percent. The comparison of Fiscal Year 2012 to 2011 indicated an increase for 2012 of \$62.6 million in total assets and an increase of \$48.3 million in net position. (See Table 1).

The item, "Invested in capital assets, net of related debt," consists of capital assets net of accumulated depreciation and reduced by the amount of outstanding indebtedness (offset by the debt related to unspent bond proceeds) attributable to the acquisition, construction, or improvement of those assets.

<b>Table 1</b> <b>(in thousands of dollars)</b> <b>Net Position</b>				
	<u>2013</u>	<u>2012</u>	<u>Percentage</u> <u>Change</u>	<u>2011</u>
Current assets	\$ 92,996	\$ 86,268	7.8%	\$ 78,442
Restricted assets	27,362	42,920	-36.2%	27,378
Property (net)	612,012	611,280	0.1%	572,073
Other assets	1,352	3,134	-56.9%	3,129
Total assets	<u>\$ 733,722</u>	<u>\$ 743,602</u>	-1.3%	<u>\$ 681,022</u>
Current liabilities	\$ 19,790	\$ 15,869	24.7%	\$ 17,325
Non-current liabilities	124,288	142,612	-12.8%	126,886
Total liabilities	<u>144,078</u>	<u>158,481</u>	-9.1%	<u>144,211</u>
Net position:				
Invested in capital assets, net of related debt	505,588	487,306	3.8%	463,497
Restricted	27,362	42,920	-36.2%	27,378
Unrestricted	56,694	54,895	3.3%	45,937
Total net position	<u>589,644</u>	<u>585,121</u>	0.8%	<u>536,812</u>
Total liabilities and net position	<u>\$ 733,722</u>	<u>\$ 743,602</u>	-1.3%	<u>\$ 681,023</u>

Current assets increased as collections significantly rose on grant funds under the Federal Emergency Management Agency (FEMA) program for construction projects completed in prior years. These collections caused an increase in cash and investment of \$26.3 million. As these collections accelerated, the government accounts receivable decreased at year end Fiscal Year 2013 offsetting some of the cash and investment fund increases as current assets increased \$6.7 million. Non-current assets decreased by \$16.6 million. Restricted assets from the refunding of the Board's Revenue Bond Issue 2002 spanned the year end June 30, 2012, the sale of which in 2013, caused a \$15.6 million decrease in restricted assets.

Current liabilities increased \$3.9 million when compared to Fiscal Year 2012, as construction accruals for accounts payable in Fiscal Year 2013 were higher than in Fiscal Year 2012. Further, other current



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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

liabilities decreased \$2.4 million as construction retainage was paid on a number of large construction projects completed in Fiscal Year 2013.

Non-current liabilities decreased \$18.3 million mainly due to a liability at year end 2012 for the refunding of the 2002 Bond Issue being eliminated in Fiscal Year 2013.

In Fiscal Year 2012 as compared to Fiscal Year 2011, current assets increased as government and trade accounts receivable were significantly higher. These increases were somewhat reduced as cash and investments were used to fund the strong capital improvement program. Non-current assets increased over Fiscal Year 2011 for two main reasons. First, restricted assets increased as the refunding of the Board's Revenue Bond Issue 2002 spanned the year end causing \$15.0 million of bond proceeds to be held in restricted assets at June 30, 2012. The 2002 Issue was refunded on July 6, 2012. Second, the expenditures for the capital improvement program resulted in a net property increase of \$39.2 million.

Further, in Fiscal Year 2012, current liabilities decreased \$1.5 million when compared to Fiscal Year 2011, as construction accruals for accounts payable in Fiscal Year 2012 were significantly lower than in Fiscal Year 2011.

Restricted funds totaling \$20.8 million result from an agreement entered into by the Board with the U.S. Army Corps of Engineers (USACOE) for the redevelopment of an existing lock connecting the Mississippi River to the Inner-Harbor Navigation Canal (IHNC). The Board agreed to fund a portion of the construction project as it relates to providing deep-draft access. The USACOE made payments to the Board for acquiring certain Board property needed to expand the existing lock. Such funds are to be held in an escrow account by the Board until such time as they are needed to pay for the deep-draft portion of the construction project.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

<p style="text-align: center;"><b>Table 2</b>  <b>Changes in Net Position</b>  <b>(in thousands of dollars)</b></p>				
	<b>2013</b>	<b>2012</b>	<b>Percentage Change</b>	<b>2011</b>
<b>Operating Revenues:</b>				
Terminal operations	\$ 35,212	35,104	0.3%	\$ 32,856
Cruise and tourism	10,426	9,399	10.9%	6,837
Real estate	5,580	4,005	39.3%	3,711
Total operating revenues	<u>51,218</u>	<u>48,508</u>	5.6%	<u>43,404</u>
<b>Operating Expenses:</b>				
Operating expenses	38,748	36,355	6.6%	33,294
Depreciation	24,009	21,009	14.3%	19,639
Total operating expenses	<u>62,757</u>	<u>57,364</u>	9.4%	<u>52,933</u>
Operating loss	(11,539)	(8,856)	-30.3%	(9,529)
<b>Non-operating revenues/(expenses), net</b>				
Investment income	144	421	-65.8%	362
Interest expense	(5,448)	(5,521)	-1.3%	(5,122)
Federal non-capital grants	-	-	0.0%	108
Hurricane gain (loss)	(273)	(867)	-68.5%	1,668
Gain (loss) on sale of assets	1,565	567	176.0%	738
Loss on asset impairment	-	-		-
Forgiveness of debt	-	-	0.0%	8,473
Demolition costs	(631)	(1,592)	-60.4%	(1,812)
Miscellaneous - net	(184)	(693)	-73.4%	(256)
Income (loss) before contributions	<u>(16,366)</u>	<u>(16,541)</u>	-1.1%	<u>(5,370)</u>
<b>Capital revenue from state and federal programs</b>				
	<u>20,889</u>	<u>64,850</u>	-67.8%	<u>24,375</u>
Change in net position	4,523	48,309	-90.6%	19,005
Total net position, beginning of the year	585,121	536,812	9.0%	517,807
Total net position, end of year	<u>\$ 589,644</u>	<u>585,121</u>	0.8%	<u>\$ 536,812</u>

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Changes in Net Position**

The change in net position for the year ended June 30, 2013, when compared to the change in net position for the year ended June 30, 2012, is a decrease of \$43.8 million or 90.6 percent. The operating revenue increases, mainly from Cruise and Tourism and Real Estate, were offset by increase in operating expenses as depreciation increase by \$3.0 million. These components resulted in a \$2.7 million increase in operating loss. The difference in non-operating revenues resulted in the net income before capital contributions loss to be very close to equal for Fiscal Years 2012 and 2013. A reduction in capital contributions for Fiscal Year 2013 compared to Fiscal Year 2012 resulted in the \$44.0 reduction in change in net assets. The changes in net assets are detailed in Table 2 and operating expenses are detailed in Table 3.

In Fiscal Year 2012, versus Fiscal Year 2011, the change in net assets for the year was an increase of \$29.3 million or 154.2 percent. The Board's total operating revenues increased \$5.1 million or 11.8 percent. This increase is due to the higher volumes of containerized and breakbulk cargo, two successive years of tariff increases and an increase in ocean-going cruise passengers. Total operating expenses increased \$4.4 million or 8.4 percent.

In the area of non-operating revenue and expense, Fiscal Year 2013 was higher by \$2.9 million or 37.2 percent. This was mainly due to higher demolition costs in Fiscal Year 2012 and a higher gain on sale of assets in Fiscal Year 2013.

For non-operating revenue and expense in Fiscal Year 2012 versus Fiscal Year 2011, 2012 was lower by \$11.2 million or 208.0 percent. This was mainly due to the forgiveness of the FEMA Community Disaster Loan debt in Fiscal Year 2011 and the recording of a hurricane loss in Fiscal Year 2012 as opposed to a net gain in 2011.

As mentioned above, capital contributions were lower by \$44.0 million in Fiscal Year 2013 versus Fiscal Year 2012 as there were a number of major construction projects completed in Fiscal Year 2012, a cold storage facility and two new cranes, that were reimbursed with state and federal funds.

Capital contributions were higher by \$40.5 million in Fiscal Year 2012 versus Fiscal Year 2011 with significant increases due to the construction of a cold storage facility, two new cranes and higher collections of FEMA funds.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

<b>Table 3</b> <b>Operating Expenses</b> <b>(in thousands of dollars)</b>				
	<b>2013</b>	<b>2012</b>	<b>Percentage Change</b>	<b>2011</b>
Labor and fringe benefits	\$ 25,303	\$ 24,565	3.0%	\$ 22,253
Fuel and utilities	2,792	2,684	4.0%	2,354
Supplies	305	342	-10.9%	289
Maintenance agreements	518	419	23.7%	436
Purchased services	169	149	13.5%	113
Rent – real estate and equipment	276	309	-10.7%	453
Contract labor services	801	769	4.2%	809
Travel, promotion and advertising	1,134	1,076	5.3%	794
Electronic data service subscription	94	102	-7.9%	101
Training	72	38	88.9%	25
Professional fees	1,497	959	56.2%	925
Maintenance	2,256	2,282	-1.1%	2,102
Insurance	5,330	4,638	14.9%	4,796
Workers' compensation	390	275	41.8%	275
Security fee reimbursement	(854)	(664)	28.7%	(454)
Other	203	220	-7.6%	201
Depreciation	24,009	21,009	14.3%	19,639
Less capitalized labor	(1,538)	(1,808)	-14.9%	(2,178)
Total operating expenses	\$ <u>62,757</u>	\$ <u>57,364</u>	9.4%	\$ <u>52,933</u>

The total increase in operating expense, when comparing Fiscal Year 2013 to Fiscal Year 2012, is approximately \$5.4 million or 9.4 percent. The major categories of increases were labor and fringe benefits, maintenance agreements, training, professional fees, insurance, workers' compensation, and depreciation. Significant areas of reduction were rent, and an increase in security fee reimbursements causing a reduction in operating expense.

Labor and fringe benefits increased in 2013 by \$738,000 or 3.0 percent. Salaries were higher by \$630,000. The payroll increases were due mainly to merit increases, three additional positions and filling of number of positions that were vacant during Fiscal Year 2012. In fringe benefits, contributions for the State LASERS retirement and Harbor Police Department pension programs increased resulting in \$683,000 additional costs for Fiscal Year 2013. These increases were lowered by a reduction in health care costs of \$438,000 from lower premiums from the provider.

Labor and fringe benefits increased in 2012 over Fiscal Year 2011 by \$2.3 million or 10.4 percent. Salaries were higher by \$698,000. Overtime increased by \$291,000 as crane operations had more hours due to higher volumes and cruise operations had more overtime due to the addition of a second cruise

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

terminal with no increase in staff in Fiscal Year 2012. In fringe benefits, contributions for the State LASERS retirement program increased as well as the Harbor Police Department pension program resulting in a \$1.4 million increase in Fiscal Year 2012. The reinstatement of the deferred compensation program added another \$263,000 to fringe benefits for Fiscal Year 2012 as related to Fiscal Year 2011.

Maintenance agreements increased \$99,000 in Fiscal Year 2013 over Fiscal Year 2012. The increase was mainly due to agreements for computer equipment coming out of warranty, increase cost for the Board's general ledger maintenance package and for the HVAC system in the newly renovated Julia Avenue Cruise Terminal. Maintenance agreements for Fiscal Year 2012 versus Fiscal Year 2011 were not significantly different.

Training expense increase approximately \$34,000 in Fiscal Year 2013 or 88.9 percent. The increase was in three main areas – system software support, training for operation of the Board's new cranes and the start of a masters degree program by an employee.

Professional fees increased \$538,000 in Fiscal Year 2013 compared to Fiscal Year 2012. The main reasons were two significant cases in litigation and protracted negotiations for a major pending lease causing the legal fees to increase by \$399,000. Another \$88,000 increase resulted from professional fees for the Board's consultant on the disadvantaged business enterprise program. Further, professional fees for the Tokyo office were increased resulting in an additional \$40,000. Professional appraisals of Board's property increase in Fiscal Year 2013 adding another \$26,000 to the expense. Professional fees for Fiscal Year 2012 versus Fiscal Year 2011 were not significantly different.

Insurance expense increased \$692,000 in Fiscal Year 2013 versus Fiscal Year 2012 as rates for property insurance increased due to a number of hurricanes causing significant destruction in the last two years. The comparison of Fiscal Year 2012 to Fiscal Year 2011 was a reduction of expense of \$158,000 as rates continued to ease with the passage of time from the devastation of major storms, hurricanes Katrina and Rita.

Expense for workers' compensation increased in Fiscal Year 2013 as there were a number of significant surgeries due to on the job accidents. Two of the more serious surgeries were for separate employee's back and hand. Fiscal Year 2012 workers' compensation expense was almost equal to that of Fiscal Year 2011.

Depreciation increased \$3.0 million in Fiscal Year 2013 as a number of major capital projects were placed in service for the Fiscal Year 2013 time period, including the cold storage facility and two new cranes. Similarly, depreciation increased \$1.4 million in Fiscal Year 2012 versus Fiscal Year 2011 as a new dredge, major improvements to the Alabo cargo facility and a wireless radio system began depreciation in Fiscal Year 2012.

Rent decreased by \$33,000 when compared to Fiscal Year 2012 as a previous agreement renegotiated with the Maritime Administration for the Board's lease of the Poland Avenue further reduced the annual rent following on a \$144,000 reduction from Fiscal Year 2011 to Fiscal Year 2012.

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In March of 2012 tariff rates for cargo operations increased as well as related security fees, which the Port and terminal operators charge customers for security related expenses. A full year of these increases resulted in Fiscal Year 2013 being \$190,000 higher in security fees, which is a reduction to security operating expense.

In Fiscal Year 2012 versus Fiscal Year 2011 security related expenses increase by \$210,000 as tariff rates increased in March of both 2011 and 2012 and cargo volumes and related activities on which security fees are charged increased.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

As of June 30, 2013, the Board had invested \$612.0 million in capital assets net of accumulated depreciation. As compared to the prior year, this amount represents an increase (including additions and disposals) of \$732,000. Property increased during 2012 when compared to 2011 with the addition of a net \$39.2 million of capital assets.

**Debt Administration**

The Board made its regularly scheduled payments on its Port Facility Revenue Bonds, Series 2002, Series 2003, Series 2008, Series 2010, Series 2011, Series 2012 and Series 2013A&B. Total bond debt payments for the Fiscal Year 2013 was \$4.7 million.

During Fiscal Year 2013 the Board completed the refunding and refinancing of the Series 2002 and series 2003 with the issue of Series 2012, Series 2013A and Series 2013B.

Under the terms of its capital leases for the container cranes and for computer equipment, the Board made lease payments of approximately \$972,000 including principal and interest.

All bond debt and lease covenants have been met.

The Board commenced payments in Fiscal Year 2012 on the \$14.4 million of debt assistance provided by the State of Louisiana under the Gulf Opportunity Zone Act of 2005 (GO Zone). Payments of \$1.3 million of principal and interest during Fiscal Year 2013 continued as provided for under the GO Zone agreement.

Additional detailed information relating to capital assets and debt administration is presented in the financial statements and notes number 4, "Property, Net" and 5, "Non-Current Liabilities".

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**ECONOMIC FACTORS**

The cargo results for Fiscal Year 2013 are reflective of the very slow economic growth in the U.S. economy during the same period. General Cargo volumes for Fiscal Year 2013 had a slight decrease compared to Fiscal Year 2012 after two prior years of increases. These prior increase were on the strength of container operations with Mediterranean Shipping Company (MSC) committed to adding volumes to its New Orleans calls. The cargo volumes for Fiscal Year 2013 resulted in almost matching revenue to Fiscal Year 2012 for Terminal Operations of the Board. However, strong increases in cruise and real estate areas of the Board caused an increase of \$2.6 million in operating revenue.

Specifically, related to cargo volumes, Port container tonnage decreased 172,000 tons or 4.1 percent when comparing Fiscal Year 2012. Breakbulk, in Fiscal Year 2013 had a third year of increased tonnage after a number of years of decline. Breakbulk increased 80,000 tons or 2.9 percent. Thus, total Board-owned facilities' general cargo decreased 92,000 tons or 1.3 percent in Fiscal Year 2013. In comparison, Fiscal Year 2012 general cargo tonnage increased 397,000 or 6.1 percent over Fiscal Year 2011. Further, in Fiscal Year 2011 as well as Fiscal Year 2012, the Board increased fees charged for dockage, harbor dues and container crane rental by an overall 10.0 percent and 7.5 percent respectively, assisting with revenue increases and stability.

The cruise business sector continued to grow in Fiscal Year 2013. Passenger volumes increase by approximately 152,000 from Fiscal Year 2012 to Fiscal Year 2013 resulting in increases in passenger wharfage and parking revenue. Further in November of 2012, Royal Caribbean Cruise Line replaced the Voyager of the Seas with the Navigator of the Seas, the largest vessel to ever homeport in New Orleans.

In the area of real estate, five new leases and one lease with significant increases in variable rent in Fiscal Year 2013 resulted in a \$1.2 million addition in revenue as compared to Fiscal Year 2012. Increases in rates on other leases caused the total increase to be approximately \$1.6 million or 39.3%.

**CONTACTING THE BOARD'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our bondholders, the public, patrons, and other interested parties with a general overview of the Board's finances and to demonstrate the Board's accountability for the funds received. If you have any questions about this report or need additional financial information, contact the Board at (504) 528-3346.

## **FINANCIAL STATEMENTS**



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**STATEMENTS OF NET POSITION**  
**JUNE 30, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
<b><u>ASSETS</u></b>		
<b><u>CURRENT ASSETS</u></b>		
Cash and cash equivalents	\$ 52,549,250	\$ 26,186,485
Investments	21,908,484	21,988,557
Accounts receivable, less allowance for doubtful accounts of \$626,308 and \$965,622 at June 30, 2013 and 2012, respectively	5,145,470	6,683,662
Due from other governments	3,625,878	21,782,366
Stores inventory	5,454,618	5,485,273
Prepaid items	4,312,770	4,141,284
Total current assets	<u>92,996,470</u>	<u>86,267,627</u>
<b><u>NON-CURRENT ASSETS</u></b>		
Restricted cash, cash equivalents, and investments:		
Revenue bond covenant accounts	6,602,588	22,137,434
Deep draft lock escrow	20,759,044	20,782,795
Total restricted assets	<u>27,361,632</u>	<u>42,920,229</u>
Property - net	612,012,069	611,280,239
Other assets	1,352,296	3,133,809
Total non-current assets	<u>640,725,997</u>	<u>657,334,277</u>
<b>TOTAL ASSETS</b>	<u>733,722,467</u>	<u>743,601,904</u>
<b><u>LIABILITIES</u></b>		
<b><u>CURRENT LIABILITIES</u></b>		
Accounts payable	10,847,006	5,800,194
Revenue bonds payable - current	1,520,000	325,000
Debt service assistance program loan payable - current	715,683	683,947
Capital leases payable - current	984,276	969,820
Accrued interest payable	1,282,832	1,344,107
Unearned income	2,097,554	2,031,326
Other liabilities	2,342,351	4,714,880
Total current liabilities	<u>19,789,702</u>	<u>15,869,274</u>

(Continued)

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**STATEMENTS OF NET POSITION - CONTINUED**  
**JUNE 30, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
<b><u>LIABILITIES (continued)</u></b>		
<b><u>NON-CURRENT LIABILITIES</u></b>		
Revenue bonds payable	102,333,615	119,996,478
Debt service assistance program loan payable	12,966,049	13,681,732
Capital leases payable	1,586,612	2,683,370
Net pension obligation	3,639,799	2,658,112
Post-employment benefit obligation	2,166,915	1,889,518
Compensated absences payable	1,595,618	1,702,613
Total non-current liabilities	<u>124,288,608</u>	<u>142,611,823</u>
<b>TOTAL LIABILITIES</b>	<u>144,078,310</u>	<u>158,481,097</u>
<b><u>NET POSITION</u></b>		
<b><u>NET POSITION</u></b>		
Invested in capital assets, net of related debt	505,587,566	487,305,571
Restricted for revenue bond debt service	6,602,588	22,137,434
Restricted for deep draft lock	20,759,044	20,782,795
Unrestricted	<u>56,694,959</u>	<u>54,895,007</u>
<b>TOTAL NET POSITION</b>	<u>\$ 589,644,157</u>	<u>\$ 585,120,807</u>

The accompanying notes are an integral part of these statements.

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

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**STATEMENTS OF REVENUES, EXPENSES AND**  
**CHANGES IN NET POSITION**  
**YEARS ENDED JUNE 30, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
<b><u>OPERATING REVENUES</u></b>		
Terminal operations:		
Dockage	\$ 8,888,377	\$ 9,212,107
Rentals	19,837,070	18,500,158
Harbor fees	1,619,734	1,737,378
Container cranes	3,804,246	4,078,451
Other	1,062,613	1,576,394
Total terminal operations	<u>35,212,040</u>	<u>35,104,488</u>
 Cruise and tourism	 10,426,000	 9,398,610
Real estate rentals	5,579,911	4,005,140
Total operating revenues	<u>51,217,951</u>	<u>48,508,238</u>
 <b><u>OPERATING EXPENSES</u></b>		
Operations services:		
Port development	10,228,048	9,575,778
Port operations	13,309,276	12,817,976
Cruise and tourism	2,524,421	2,438,669
Marketing	2,218,632	2,185,038
Total operations services	<u>28,280,377</u>	<u>27,017,461</u>
Management services:		
Finance and information services	2,344,150	2,175,661
Administration Services	2,348,537	2,115,218
Legal and risk	2,141,083	1,489,312
Business development	716,442	636,749
Total management services	<u>7,550,212</u>	<u>6,416,940</u>

(Continued)

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**Page 2 of 2**

**STATEMENTS OF REVENUES, EXPENSES AND**  
**CHANGES IN NET POSITION - CONTINUED**  
**YEARS ENDED JUNE 30, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
Other operating:		
Executive	2,526,770	2,645,656
Workers' compensation and self insured claims	390,702	274,874
Total other operating	<u>2,917,472</u>	<u>2,920,530</u>
Depreciation	24,009,378	21,009,386
Total operating expenses	<u>62,757,439</u>	<u>57,364,317</u>
<b><u>OPERATING LOSS</u></b>	<u>(11,539,488)</u>	<u>(8,856,079)</u>
<b><u>NON-OPERATING REVENUES (EXPENSES)</u></b>		
Investment income	144,548	420,625
Interest expense	(5,448,274)	(5,520,713)
Hurricane gain (loss)	(273,046)	(867,406)
Gain on disposal of assets	1,564,554	567,517
Demolition costs	(631,498)	(1,591,669)
Miscellaneous - net	(182,640)	(692,847)
Total non-operating revenues (expenses)	<u>(4,826,356)</u>	<u>(7,684,493)</u>
<b><u>LOSS BEFORE CONTRIBUTIONS</u></b>	<u>(16,365,844)</u>	<u>(16,540,572)</u>
<b><u>CAPITAL CONTRIBUTIONS</u></b>	<u>20,889,194</u>	<u>64,849,816</u>
<b><u>CHANGE IN NET POSITION</u></b>	<u>4,523,350</u>	<u>48,309,244</u>
<b><u>NET POSITION, BEGINNING OF YEAR</u></b>	<u>585,120,807</u>	<u>536,811,563</u>
<b><u>NET POSITION, END OF YEAR</u></b>	<u>\$ 589,644,157</u>	<u>\$ 585,120,807</u>

The accompanying notes are an integral part of these statements.

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

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**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES:</u></b>		
Receipts from customers and users	\$ 52,915,910	\$ 46,525,484
Payments to suppliers	(15,303,416)	(20,672,978)
Payments to employees	(17,182,192)	(15,451,711)
Payments of benefits on behalf of employees	(7,588,912)	(6,304,345)
Net cash provided by operating activities	<u>12,841,390</u>	<u>4,096,450</u>
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u></b>		
Expenditures for acquisition and construction of capital assets	(26,749,279)	(58,406,109)
Proceeds from sales of capital assets	1,564,554	829,598
Capital contributions from other governments	46,275,062	49,949,090
Proceeds from refinancing of bonds	44,010,000	15,495,000
Payment on refunded bonds	(60,485,000)	-
Repayments of principal borrowed to finance acquisition and construction of capital assets	(686,171)	(976,251)
Interest paid on amounts to finance acquisition and construction of capital assets	(3,982,633)	(4,919,543)
Payments for bond issuance costs	(778,486)	(277,244)
Demolition costs and other	(1,153,452)	(2,300,130)
Hurricane (costs) proceeds	(273,046)	(867,409)
Net cash used in capital and related financing activities	<u>(2,258,451)</u>	<u>(1,472,998)</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES:</u></b>		
Purchase of investments	(12,194,286)	(13,237,449)
Proceeds from sales and maturities of investments	12,298,110	18,003,212
Investment income received	141,156	413,806
Net cash provided by investing activities	<u>244,980</u>	<u>5,179,569</u>

(Continued)

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

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**STATEMENTS OF CASH FLOWS - CONTINUED**  
**YEARS ENDED JUNE 30, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
<b><u>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u></b>	10,827,919	7,803,024
<b><u>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</u></b>	<u>48,323,919</u>	<u>40,520,895</u>
<b><u>CASH AND CASH EQUIVALENTS, END OF YEAR</u></b>	<u>\$ 59,151,838</u>	<u>\$ 48,323,919</u>
<b><u>RECONCILIATION OF LOSS FROM OPERATIONS TO</u></b>		
<b><u>NET CASH PROVIDED BY OPERATING ACTIVITIES:</u></b>		
Operating loss	\$ (11,539,488)	\$ (8,856,079)
Adjustments to reconcile loss from operations to net cash provided by operating activities:		
Depreciation	24,009,378	21,009,386
Changes in assets and liabilities relating to operating activities:		
Accounts and insurance receivable	1,880,898	(2,214,569)
Stores inventories	30,655	(2,723,240)
Prepaid items	(171,486)	(469,777)
Other assets	(249,167)	(281,667)
Accounts payable	(2,182,568)	(4,285,394)
Unearned income	66,228	513,482
Other liabilities	(155,149)	(4,672)
Net pension obligation	981,687	884,418
Post-employment benefit obligation	277,397	310,148
Compensated absences payable	(106,995)	214,414
Net cash provided by operating activities	<u>\$ 12,841,390</u>	<u>\$ 4,096,450</u>
<b><u>RECONCILIATION TO STATEMENTS OF NET ASSETS:</u></b>		
Cash and cash equivalents for cash flow statements include:		
Cash and cash equivalents	52,549,250	26,186,485
Restricted assets:		
Restricted for revenue bond debt service	6,602,588	22,137,434
Total cash and cash equivalents	<u>\$ 59,151,838</u>	<u>\$ 48,323,919</u>
<b><u>SUPPLEMENTAL DISCLOSURE OF NON-CASH FLOW</u></b>		
<b><u>INFORMATION:</u></b>		
Noncash capital acquisitions by lease	\$ 738,267	\$ 738,267
Noncash increase (decrease) in fair value of investments	<u>\$ 398,826</u>	<u>\$ (82,432)</u>

The accompanying notes are an integral part of these statements.

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

The Board of Commissioners of the Port of New Orleans (the Port) is an independent political subdivision of the State of Louisiana, which is authorized by Louisiana Revised Statutes 34:1-47. The Port is governed by a Board of Commissioners (the Board) consisting of seven members appointed by the Governor. The Board has all the powers and privileges granted to it by the constitution and statutes of the State of Louisiana including, but not limited to, the authority to incur debt, to issue bonds, to construct and maintain wharves and landings, and to charge fees for the use of the wharves and other facilities administered by the Port.

The Port prepares its financial statements in accordance with standards issued by the Governmental Accounting Standards Board (GASB).

The Port is reported as a stand-alone entity as defined by GASB Statements No. 34 and 61, relating to the financial reporting entity. The Port is neither fiscally dependent on any other local government nor does it provide specific financial benefits to or impose specific financial burdens on any other government. No other potential component units meet the criteria for inclusion in the financial statements of the Port.

**Measurement Focus, Basis Accounting and Financial Statement Presentation**

The accounting policies of the Port conform to accounting principles generally accepted in the United States of America as applicable to governments. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses, excluding depreciation and amortization, are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The Port's accounts are organized into a single proprietary fund. The Port's operations are financed and operated in a manner similar to private business enterprises. The intent of the governing body is that the costs (expenses, including depreciation) of providing services on a continuing basis be financed or recovered primarily through user charges. Operating revenues and expenses are distinguished from non-operating items. Operating revenues and expenses generally result from leasing properties or providing services. Operating expenses include the cost of providing services, administrative services and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Port's policy to use restricted resources first, then unrestricted resources as they are needed.

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(continued)**

**Measurement Focus, Basis Accounting and Financial Statement Presentation (continued)**

Under the provisions of GASB Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, the Port applies all applicable Financial Accounting Standards Board pronouncements issued on or before November 30, 1989 in accounting for its operations unless those pronouncements conflict or contradict GASB pronouncements.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Investments**

Investments of the Port, substantially all of which have original maturities of two years or less, are recorded at fair value. Fair value is based on quoted market prices.

**Stores Inventory**

The inventory of the Port consists of expendable materials, supplies and fuel and is valued at the lower of average cost or market.

**Restricted Assets**

Under an agreement with the Corps of Engineers (Corps) the proceeds of land sales to the Corps in 2002 and 2003 have been put into an escrow fund to be used to pay the Port's share of a deep draft lock on the Inner Harbor Navigation Canal. Gains on the sales of land of approximately \$10,100,000 and \$5,600,000 were recognized for the years ended June 30, 2003 and 2002 respectively. Interest income related to these restricted assets was \$281,328 and \$169,951 for the years ended June 30, 2013 and 2012, respectively.

Certain proceeds of the Port's revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets because they are maintained in separate investment accounts and their use is limited by applicable bond requirements.



**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(continued)**

**Property and Depreciation**

The Port capitalizes assets that have an individual cost of \$500 or more and an estimated useful life in excess of one year. Property constructed or acquired by purchase is stated at cost. Donated property is stated at the estimated fair value on the date received.

Depreciation of property and amortization of capital lease assets is computed using the straight-line method over the following estimated useful lives:

Wharves and sheds	30 – 50 years
Roadways and drainage	20 years
Marshalling areas	15 years
Buildings	15 – 40 years
Machinery and equipment	3 – 40 years

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital asset and improvements are capitalized as projects are constructed. The Port's policy is to capitalize construction period interest, if any. For fixed assets purchased with externally restricted debt, capitalized interest is the difference between interest expense and interest earnings on invested proceeds of the debt. The capitalization period begins with the date of borrowing and ends when the asset is put into service.

**Debt and Amortization**

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are included in other non-current assets.

**Unearned Income**

Operating revenues include rental income derived from leasing Port-owned properties. Amounts due from certain lease agreements are billed in advance and recognition of the related revenue is deferred and recognized over the appropriate lease term.

**Compensated Absences**

Employees accumulate vacation and sick leave at varying rates according to years of service. Upon termination, unused vacation not to exceed 300 hours is paid to the employee at the employee's current rate of pay. At retirement, unused vacation in excess of 300 hours and unused sick leave is considered in computing the years of service for retirement benefit purposes.

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(continued)**

**Statement of Cash Flows**

For purposes of the statement of cash flows, cash and cash equivalents consist of demand deposits with banks, overnight repurchase agreements, and money market mutual funds.

**Deferred Inflows and Outflows**

Effective July 1, 2012, the Port adopted GASB No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which establishes guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position.

**2. CASH AND INVESTMENTS**

The Port's cash and investments consist primarily of deposits with financial institutions and investments in direct obligations of the United States Treasury or agencies thereof.

**Custodial Credit Risk - Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Under state law, all deposits are secured by federal depository insurance or the pledge of securities held by the pledging banks agent in the Port's name. At June 30, 2013 and 2012, the carrying amount of the Port's deposits (demand deposits and certificates of deposit) were \$53,507,179 and \$27,131,631 and the related bank balances were \$54,234,505 and \$28,318,671, respectively. Of the bank balances, \$762,103 and \$750,005 were covered by federal depository insurance and \$53,472,403 and \$27,568,666 were covered by collateral held by the pledging banks' trust department or agent in the Port's name at June 30, 2013 and 2012, respectively.

**Investments**

The Port may invest idle funds as authorized by Louisiana Statutes and the Port's investment policy as follows:

- (a) United States bonds, treasury notes, certificates, or any other federally insured investment.
- (b) Time certificates of deposit of state banks organized under the laws of Louisiana and national banks having their principal office in the State of Louisiana.
- (c) Debt instruments issued by the state of Louisiana or any of its political subdivisions with a rating of at least BBB- or higher by Standard and Poor and the final maturity can be no more than three years.

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**2. CASH AND INVESTMENTS (continued)**

**Investments (continued)**

- (d) Bonds, debentures, notes or other indebtedness issued by a state of the United States of America other than Louisiana or any such state's political subdivisions with a minimum rating A- or higher by Standard and Poor and the final maturity can be no more than three years.
- (e) Top Tier A1/P1 rated Commercial Paper
- (f) Security Repurchase Agreements
- (g) Mutual or trust funds, which are registered with the Securities and Exchange Commission under the Securities Act of 1933 and the Investment Act of 1940 and which have underlying investments consisting solely of and limited to securities of the United States government or its agencies.

The Port invests monies with the Louisiana Asset Management Pool (LAMP). LAMP is a nonprofit corporation organized under the laws of the State of Louisiana formed by an initiative of the State Treasurer in 1993. While LAMP is not required to be a registered investment company under the Investment Company Act of 1940, its investments policies are similar to those established by Rule 2-a7, which governs registered money market funds. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. LAMP's portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, the U.S. government or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities. The dollar weighted average of portfolio maturity of LAMP assets is restricted to not more than 90 days and consists of no securities with a maturity in excess of 397 days. The fair market value of investments is determined weekly to monitor any variances between amortized cost and market value. For purposes of determining participants' share, investments are valued at amortized cost. LAMP is designed to be highly liquid to provide immediate access to participants.

Cash and investments were included in the Statements of Net Position as of June 30 as follows:

	2013	2012
Cash and cash equivalents	\$ 52,549,250	\$ 26,186,485
Investments – current assets	21,908,484	21,988,557
Restricted assets	27,361,632	42,920,229
	<u>\$ 101,819,366</u>	<u>\$ 91,095,271</u>

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**2. CASH AND INVESTMENTS (continued)**

**Investments (continued)**

Included in cash and investments at June 30, were the following:

	2013	2012
U.S. Treasury	\$ 6,602,157	\$ 6,871,029
U.S. Government Agency obligations	33,900,383	35,365,948
Money market mutual funds	5,757,144	4,338,986
LAMP	2,010,001	2,007,960
Deposits:		
Brokerage Cash Account	431	15,324,863
Certificates of deposit	1,000,000	1,000,000
Demand deposit with banks	52,549,250	26,186,485
<b>Total cash and investments</b>	<b>\$ 101,819,366</b>	<b>\$ 91,095,271</b>

**Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. In general, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Port has a formal investment policy that targets investment maturities equal to or less than three years as a means of managing its exposure to fair value losses arising from increasing interest rates. In addition, approximately 40% of the Port's portfolio shall be one year or less for liquidity reasons and interest rate volatility risk.

As of June 30, 2013, the Port had the following investments and maturities.

	Fair Value	Remaining Maturity (in Years)	
		Less Than One	1 – 5
U.S. Treasury Notes	\$ 6,602,157	\$ 6,602,157	\$ -
Certificates of Deposit	1,000,000	1,000,000	-
U.S. Government Agencies	33,900,383	11,292,356	22,608,027
<b>Total</b>	<b>\$ 41,502,540</b>	<b>\$ 18,894,513</b>	<b>\$ 22,608,027</b>

As of June 30, 2012, the Port had the following investments and maturities.

	Fair Value	Remaining Maturity (in Years)	
		Less Than One	1 – 5
U.S. Treasury Notes	\$ 6,871,029	\$ 6,871,029	\$ -
Certificates of Deposit	1,000,000	1,000,000	-
U.S. Government Agencies	35,365,948	21,486,254	13,879,694
<b>Total</b>	<b>\$ 43,236,977</b>	<b>\$ 29,357,283</b>	<b>\$ 13,879,694</b>

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**2. CASH AND INVESTMENTS (continued)**

**Credit Risk**

State law limits investments to instruments as described under "Investments" for the purpose of safety of principal. The Port's investment policy does not further limit its investment choices. LAMP has been rated AAA by Standard & Poor's Corporation. The Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, Federal Home Loan Bank Consolidated Bonds and the Federal Farm Credit Banks are all rated AA+ by Standard & Poor's Corporation. The money market mutual funds and the Brokerage Cash Account are unrated accounts.

**3. DUE FROM OTHER GOVERNMENTS**

Due from other governments consists of 1) state funds from the Louisiana Department of Transportation and Development for facility planning and control projects, flood control projects and port priority projects and 2) federal funds receivable from the Federal Emergency Management Agency (FEMA). At June 30, 2013 and 2012, amounts due are as follows:

	<u>2013</u>	<u>2012</u>
Louisiana Department of Transportation and Development	\$ 2,923,295	\$ 8,365,146
U.S. Department of Homeland Security	<u>702,583</u>	<u>13,417,220</u>
Total	<u>\$ 3,625,878</u>	<u>\$ 21,782,366</u>

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**4. PROPERTY, NET**

A summary of changes in property is as follows:

	<u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2013</u>
Property not being depreciated:				
Land and improvements	\$ 72,751,872	\$ -	\$ (63,393)	\$ 72,688,479
Construction in progress	<u>70,320,972</u>	<u>38,509,897</u>	<u>(54,529,158)</u>	<u>54,301,711</u>
Total property not being depreciated	<u>143,072,844</u>	<u>38,509,897</u>	<u>(54,592,551)</u>	<u>126,990,190</u>
Property being depreciated:				
Property (wharves, buildings, etc.)	793,651,321	39,675,944	(149,886)	833,177,379
Furniture and fixtures	12,261,086	1,391,405	(74,614)	13,577,877
Equipment	<u>24,225,587</u>	<u>401,152</u>	<u>(1,067,170)</u>	<u>23,559,569</u>
Total property being depreciated	<u>830,137,994</u>	<u>41,468,501</u>	<u>(1,291,670)</u>	<u>870,314,825</u>
Less accumulated depreciation				
Property (wharves, buildings, etc.)	(345,099,689)	(21,830,028)	10,706	(366,939,011)
Furniture and fixtures	(8,111,607)	(1,052,286)	74,614	(9,089,279)
Equipment	<u>(8,719,303)</u>	<u>(1,107,064)</u>	<u>561,711</u>	<u>(9,264,656)</u>
Total accumulated depreciation	<u>(361,930,599)</u>	<u>(24,009,378)</u>	<u>647,031</u>	<u>(385,292,946)</u>
Total property being depreciated, net	<u>468,207,395</u>	<u>17,459,123</u>	<u>(644,639)</u>	<u>485,021,879</u>
Property, net	\$ <u>611,280,239</u>	\$ <u>55,969,020</u>	\$ <u>(55,237,190)</u>	\$ <u>612,012,069</u>

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**4. PROPERTY, NET (continued)**

A summary of changes in property is as follows:

	<u>July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2012</u>
Property not being depreciated:				
Land and improvements	\$ 72,771,517	\$ -	\$ (19,645)	\$ 72,751,872
Construction in progress	<u>86,036,292</u>	<u>25,571,379</u>	<u>(41,286,699)</u>	<u>70,320,972</u>
Total property not being depreciated	<u>158,807,809</u>	<u>25,571,379</u>	<u>(41,306,344)</u>	<u>143,072,844</u>
Property being depreciated:				
Property (wharves, buildings, etc.)	723,810,437	69,840,884	-	793,651,321
Furniture and fixtures	8,783,411	3,690,196	(212,521)	12,261,086
Equipment	<u>23,701,768</u>	<u>2,521,135</u>	<u>(1,997,316)</u>	<u>24,225,587</u>
Total property being depreciated	<u>756,295,616</u>	<u>76,052,215</u>	<u>(2,209,837)</u>	<u>830,137,994</u>
Less accumulated depreciation				
Property (wharves, buildings, etc.)	(325,967,402)	(19,132,287)	-	(345,099,689)
Furniture and fixtures	(7,367,946)	(955,938)	212,277	(8,111,607)
Equipment	<u>(9,694,661)</u>	<u>(921,161)</u>	<u>1,896,519</u>	<u>(8,719,303)</u>
Total accumulated depreciation	<u>(343,030,009)</u>	<u>(21,009,386)</u>	<u>2,108,796</u>	<u>(361,930,599)</u>
Total property being depreciated, net	<u>413,265,607</u>	<u>55,042,829</u>	<u>(101,041)</u>	<u>468,207,395</u>
Property, net	\$ <u>572,073,416</u>	\$ <u>80,614,208</u>	\$ <u>(41,407,385)</u>	\$ <u>611,280,239</u>

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**4. PROPERTY, NET (continued)**

Construction in progress consists of the following at June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Hurricane Katrina Damages	\$ 11,279,620	\$ 12,252,842
Wharf, Shed, & Yard Rehabs	18,424,965	11,734,023
Reimbursable Damages	4,401,879	3,956,492
Hurricane Isaac Storm Damages	803,210	21
Roadways	8,608	157,331
Industrial Properties	242,235	15,331
Alabo Street Terminal Improvements	1,409	-
Fencing	1,262	1,704
Security	2,974,360	1,310,750
Drainage	20,156	13,766
Dredge	-	21,636
Cranes	193,305	23,128,870
Cruise Terminal Improvements	13,481,638	14,101,480
Bridges	1,371,100	705,442
Utilities	652,969	617,074
Cold Storage	42,126	210
Other	402,869	2,304,000
Total	<u>\$ 54,301,711</u>	<u>\$ 70,320,972</u>

Total interest incurred by the Port was \$5,448,274 and \$5,520,713 for the years ended June 30, 2013 and 2012, respectively. There were no earnings on invested proceeds of the debt during the years ended June 30, 2013 and 2012, respectively. The differences between interest incurred on debt for capital assets and interest earnings on invested proceeds of the debt totaled \$5,448,274 and \$5,520,713 for the years ended June 30, 2013 and 2012, respectively. No amounts were included as part of the cost of capital assets under construction in progress for either of the years ended June 30, 2013 and 2012.

As part of the Port's long-term capital construction program, commitments related to such capital construction projects were approximately \$96.9 million and \$129.9 million as of June 30, 2013 and 2012, respectively.



**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**5. NON-CURRENT LIABILITIES**

**Long-Term Debt**

Long-term debt consists of the following at June 30, 2013 and 2012:

	2013	2012
Revenue bonds payable	\$ 105,780,000	\$ 122,255,000
Premium and discounts	2,134,356	(1,209,172)
Deferred refunding loss	(4,060,741)	(724,350)
	<u>103,853,615</u>	<u>120,321,478</u>
Less current portion	(1,520,000)	(325,000)
Long-term debt noncurrent	<u>\$ 102,333,615</u>	<u>\$ 119,996,478</u>

On June 1, 2001, the Port issued \$30,800,000 Port Facility Revenue Bonds, Series 2001. The bonds mature in the year 2021. Proceeds from such bonds were expended for the acquisition; construction and completion of certain dock and wharf improvements for the development of the Napoleon Avenue Container Terminal. The bonds are limited obligations of the Port and are payable solely from and secured by a pledge of the net revenues derived by the Port from the entire port and harbor system and certain funds and accounts created under the bond indenture. In addition, the Series 2001 Bonds are secured by a Financial Guaranty Insurance Policy. Interest on the bonds is payable semi-annually on April 1 and October 1. Interest rates vary from 4.25 percent to 5.63 percent. All bonds may be redeemed prior to their maturities in accordance with provisions of the bond indenture. The redemption price of some of the bonds includes a premium of 1 percent. The Port Facility Revenue Bonds, Series 2001 were refunded and replaced with Revenue Bonds, Series 2011 on May 3, 2011 (see below).

On August 1, 2002, the Port issued \$31,000,000 Port Facility Revenue Bonds, Series 2002. The bonds mature in the year 2032. Proceeds from such bonds were expended for the acquisition; construction and completion of certain dock and wharf improvements for the development of the Napoleon Avenue Container Terminal. The bonds are limited obligations of the Port and are payable solely from and secured by a pledge of the net revenues derived by the Port from the entire port and harbor system and certain funds and accounts created under the bond indenture. In addition, the Series 2002 Bonds are secured by a Financial Guaranty Insurance Policy. Interest on the bonds is payable semi-annually on April 1 and October 1. Interest rates vary from 3.00 percent to 4.50 percent. All bonds may be redeemed prior to their maturities in accordance with provisions of the bond indenture. The redemption price of some of the bonds includes a premium of 1 percent. These bonds were refunded with proceeds of the Series 2012 and the 2013A&B bonds. (see below).

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
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**NOTES TO FINANCIAL STATEMENTS**

**5. NON-CURRENT LIABILITIES (continued)**

**Long-Term Debt (continued)**

On July 15, 2003, the Port issued \$34,000,000 of Port Facility Revenue Bonds, Series 2003. The bonds mature in the year 2033. Proceeds from such bonds are to be used to finance certain capital improvements to the Port Complex, including but not limited to, the acquisition and construction of parking and cruise terminal facilities, and to reimburse the Board for certain capital expenditures previously made. The bonds are limited obligations of the Port and are payable solely from and secured by a pledge of the net revenues derived by the Port from the entire port and harbor system and certain funds and accounts created under the bond indenture.

In addition, the Series 2003 Bonds are secured by a Financial Guaranty Insurance Policy. Interest on the bonds is payable semi-annually on April 1 and October 1. Interest rates vary from 3.00 percent to 5.00 percent. Certain of the bonds may be redeemed prior to their maturities in accordance with provisions of the bond indenture. The redemption price of some of the bonds includes a premium of 1 percent. The Port Facility Revenue Bonds, Series 2003 was partially refunded in 2008 with Revenue Bonds, Series 2008; the Bonds were fully refunded in 2013 with Revenue Bonds, Series 2013A&B (see below).

On April 21, 2005, the Port issued \$19,355,000 of Port Facility Revenue Bonds, Series 2005. The bonds mature in the year 2034. Proceeds from such bonds are to be used to finance capital improvements to the Port Complex, including but not limited to, a cruise terminal complex on the Erato Street wharf, related parking and operational facilities, and other port facilities within its jurisdiction. Interest on the bonds is payable quarterly on March 1, June 1, September 1, and December 1. The interest rate varies with the Securities Industry and Financial Markets Association (SIFMA) index. The rate as of June 30, 2013 was 0.06 percent. The bonds are supported through a letter of credit agreement. The 2005 Series Revenue Bonds are subordinate to the 2008, 2003, 2002 and 2001 Series Revenue Bonds. The Port Facility Revenue Bonds, Series 2005 were refunded and replaced with Revenue Bonds, Series 2010 on September 1, 2010 (see below).

On May 29, 2008, the Port issued \$13,640,000 of Port Facility Refunding Revenue Bonds, Series 2008. The bonds mature in the year 2038. Proceeds were used to refund \$8,110,000, \$1,340,000 and \$1,775,000 of the Revenue Bonds Series 2001, 2002 and 2003, respectively. The bonds are limited obligations of the Port and are payable solely from and secured by a pledge of the net revenues derived by the Port from the entire port and harbor system and certain funds and accounts created under the bond indenture. In addition, the Series 2008 Bonds are secured by a Financial Guaranty Insurance Policy. Interest on the bonds is payable semi-annually on April 1 and October 1. The interest rate is fixed at 5.13 percent. Certain of the bonds may be redeemed prior to their maturities in accordance with provisions of the bond indenture at par. The net proceeds from this issue were deposited in an irrevocable trust with an escrow agent to provide debt service payments on the refunded portions of Revenue Bonds Series 2001, 2002 and 2003 thru April 1, 2014. The advance refunding met the requirements of an in-substance defeasance and the refunded bonds were removed from the Port's financial statements. The reacquisition price exceeded the net carrying

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
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**NOTES TO FINANCIAL STATEMENTS**

**5. NON-CURRENT LIABILITIES (continued)**

**Long-Term Debt (continued)**

amount on the bonds refunded resulting in a loss on refunding of \$844,578, which is being amortized over the life of the new issue using the effective interest method. This advance refunding was undertaken to reduce total debt service payments over 6 years by \$9,166,309 and resulted in an economic loss of \$1,257,288. At June 30, 2013, remaining principal on this defeased debt was \$1,465,000.

On September 1, 2010 the Port issued \$18,090,000 of Subordinate Lien Variable Rate Revenue Bonds, Series 2010. The purpose of the issue was to provide funds to refund the Board's Subordinate Lien Variable Rate Revenue Bonds, Series 2005, outstanding in the amount of \$18,095,000. The interest rate on the Series 2010 bonds varies with the Securities Industry and Financial Markets Association (SIFMA) index. The rate as of June 30, 2013 was 0.06 percent. These bonds are supported with a credit enhancement letter of credit by First NBC and a support letter of credit with the Federal Home Loan Bank of Dallas, Irving, Texas. Affirmative and negative covenants are outlined on pages twenty-two through twenty-six of the Reimbursement agreement between the Port and First NBC. The bond issue is subordinate to the 2013A&B, 2012, 2011 and 2008 Series Revenue Bonds. The Board advanced refunded the bonds to reduce the total gross debt service payments through April 1, 2021 by \$618,190 and to obtain an economic gain of \$511,031.

On May 3, 2011 the Port issued \$15,585,000 of Board of Commissioners of the Port of New Orleans Port Facility Refunding Revenue Bonds, Series 2011. The purpose of the issue was to provide sufficient funds to refund all of the Port's outstanding Port Facility Revenue Bonds, Series 2001 in the outstanding amount of \$15,290,000. The Series 2011 bonds were purchased by Regions Bank through the placement agent, Morgan Keegan & Company, Inc. The interest rate is fixed at 4.22 percent. Covenants with Regions bank are contained in the commitment letter dated March 13, 2011. The refunding was entered into for the reason of future interest savings. The Board advanced refunded the bonds to reduce total gross debt service payments through June 30, 2021 by \$759,904 and to obtain an economic gain of \$648,821.

On June 27, 2012 the Port issued \$15,495,000 of Board of Commissioners of the Port of New Orleans Port Facility Refunding Revenue Bonds, Series 2012. The purpose of the issue was to provide sufficient funds for a partial refund of the Port's outstanding Port Facility Revenue Bonds, Series 2002 in the outstanding amount of \$14,980,000; the outstanding balance of the 2002 bonds was refunded on July 6, 2012. The Series 2012 bonds were purchased by Regions Bank through the placement agent, Morgan Keegan & Company, Inc. The interest rate is fixed at 3.53 percent. Covenants with Regions bank are contained in the commitment letter dated May 31, 2012. The refunding was entered into for the reason of future interest savings. The Board advanced refunded the bonds to reduce total gross debt service payments through June 30, 2027 by \$1,785,929 and to obtain an economic gain of \$1,631,307.

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**5. NON-CURRENT LIABILITIES (continued)**

**Long-Term Debt (continued)**

On January 1, 2013 the Port issued \$19,115,000 of Board of Commissioners of the Port of New Orleans Port Facility Refunding Revenue Bonds, Series 2013A. The purpose of the issue was to provide sufficient funds to refund \$2,475,000 of the Port's Facility Revenue Bonds, Series 2002 and \$15,845,000 of Port's Facility Revenue Bonds, Series 2003. The refunding left an outstanding amount of \$11,190,000 in the Series 2002 and \$15,270,000 in Series 2003. The Series 2013A bonds were purchased by IBERIABANK through the placement agent, Raymond James & Associates. The interest rate is fixed at 3.25%. Covenants with IBERIABANK are contained in the commitment letter dated December 10, 2012. The refunding was entered into for the reason of future interest savings. The Board advanced refunded the bonds to reduce total gross debt service payments through June 30, 2028 by \$2,975,244 and to obtain an economic gain of \$2,317,088.

On February 21, 2013 the Port issued \$24,895,000 of Board of Commissioners of the Port of New Orleans Port Facility Refunding Revenue Bonds, Series 2013B. The purpose of the issue was to provide sufficient funds to refund of the remaining Port's Facility Revenue Bonds, Series 2002 and Series 2003. The refunding was accomplished through a public offering. The interest rate is at an average of 4.25% with a maturity of April 1, 2033. The refunding was entered into for the reason of future interest savings. The Board advanced refunded the bonds to reduce total gross debt service payments through June 30, 2033 by \$3,597,309 and to obtain an economic gain of \$2,117,638.

Operating revenues are pledged as security for all revenue bond issues.

Debt service requirements relating to bonds outstanding are as follows:

<u>Years Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 1,520,000	\$ 3,799,877	\$ 5,319,877
2015	2,645,000	3,790,530	6,435,530
2016	2,760,000	3,736,151	6,496,151
2017	3,225,000	3,642,062	6,867,062
2018	3,450,000	3,531,014	6,981,014
2019 – 2023	19,505,000	15,694,447	35,199,447
2024 – 2028	23,505,000	11,988,648	35,493,648
2029 – 2033	28,195,000	7,453,485	35,648,485
2034 – 2038	20,975,000	2,737,974	23,712,974
	<u>\$ 105,780,000</u>	<u>\$ 56,374,188</u>	<u>\$ 162,154,188</u>

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**5. NON-CURRENT LIABILITIES (continued)**

**Long-Term Debt (continued)**

**Debt Service Assistance Program Loan Payable**

In July 2006, the Port and the State of Louisiana (the State) entered into a Cooperative Endeavor Agreement whereby the State agreed to lend up to \$14,365,679 from State funds on deposit in the Debt Service Assistance Fund, authorized by the Gulf Opportunity Zone Act of 2005 and Act 41 of the First Extraordinary Session of the Louisiana Legislature of 2006, to assist in payment of debt service requirements from 2006 through 2008 due to disruption of revenue streams caused by Hurricanes Katrina and Rita. Loan payments in the amount of \$14,365,679 were made on behalf of the Port by the State as debt service became due. No principal or interest was payable during the initial five year period of the loan. After the expiration of the initial five year period, the loan bears interest at a fixed rate of 4.64 percent. Principal payments on the bonds begin in July 2012 and the loan will mature in July 2026. Interest is payable semi-annually on January 15 and July 15 which began in January 2012.

The loan may be prepaid without penalty or premium. The Port had the right to request one extension of its obligation to begin payments under the loan not to exceed five years. In October of 2011, the Port requested the extension from the State. The request was denied and the Port began interest payments on the debt in January of 2012.

Debt service requirements relating to the bonds and debt service assistance loan payable are as follows:

<u>Years Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 715,683	\$ 650,699	\$ 1,366,382
2015	748,928	618,226	1,367,154
2016	783,678	584,246	1,367,924
2017	820,041	548,690	1,368,731
2018	858,090	511,484	1,369,574
2019 – 2023	4,925,942	1,936,018	6,861,960
2024 – 2027	4,829,370	709,911	5,539,281
	<u>\$ 13,681,732</u>	<u>\$ 5,559,274</u>	<u>\$ 19,241,006</u>

**Capital Lease**

Capital lease obligations consist of the following at June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Capital leases payable	\$ 2,570,888	\$ 3,653,190
Less current portion	(984,276)	(969,820)
Long-term portion	<u>\$ 1,586,612</u>	<u>\$ 2,683,370</u>

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**5. NON-CURRENT LIABILITIES (continued)**

**Capital Lease (continued)**

Lease payments relating to capital leases outstanding are as follows:

Years Ending June 30	Principal	Interest	Total
2014	\$ 984,276	149,253	1,161,728
2015	966,439	94,784	1,061,224
2016	620,173	41,388	1,026,052
	<u>\$ 2,570,888</u>	<u>\$ 285,425</u>	<u>\$ 3,249,004</u>

On November 17, 2000, the Port entered into a capital lease agreement to purchase two new container cranes at an aggregate cost of \$12,500,000 at 5.75 percent interest. The cranes were placed in service during the year ended June 30, 2004. At June 30, 2013 and 2012, the gross capitalized cost including capitalized interest was \$11,857,545 with accumulated amortization of \$2,838,421 and \$2,537,783, respectively. There are thirty equal semi-annual payments of \$628,454 for principal and interest with the first payment due July 1, 2001. The remaining proceeds of the capital lease were applied to the outstanding principal balance of the capital lease during October, 2004. This reduced the remaining semi-annual payments to \$464,075 for principal and interest with the first payment due January 1, 2005.

During the year ended June 30, 2010, the Port entered into four capital lease agreements for computer equipment at an aggregate cost of \$408,467 at interest rates ranging from 4.07 percent to 7.59 percent. The monthly lease payments range from \$1,251 to \$3,417. CSI 6 is for thirty-six month period ending April 1, 2012. CSI 8 is for forty-eight month period ending June 1, 2013. CSI 10 is for the forty-eight month period ending February 1, 2014. CSI 11 is for the sixty month period ending February 1, 2015.

During the year ended June 30, 2011, the Port entered into capital lease agreements for an Allfax copier at an aggregate cost of \$24,250 at interest rate of 4.5%. The monthly lease payments are \$450 for sixty month period ending December 17, 2015.

During the year ended June 30, 2012, the Port entered into capital lease agreements for CSI and IBM computers at an aggregate cost of \$1,208,804 at interest rates ranging from 3 – 4.11%. The monthly lease payments for the IBM computers are \$8,215 for a thirty six month period ending August 1, 2014. The monthly lease payments for the CSI computers are \$7,934 for a sixty month period ending September 1, 2016.

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**5. NON-CURRENT LIABILITIES (continued)**

**Changes in Non-Current Liabilities**

Non-current liabilities activity for the years ended June 30, 2012 and 2011 are as follows:

	<u>July 1, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2013</u>	<u>Due within one year</u>
<b>Bonds payable:</b>					
Revenue bonds	\$ 122,255,000	\$ 44,010,000	\$ (60,485,000)	\$ 105,780,000	\$ 1,520,000
Bond premium and discounts	(724,350)	2,537,197	321,509	2,134,356	-
Refunding loss	(1,209,172)	(2,989,999)	138,430	(4,060,741)	-
<b>Total bonds payable</b>	<b>120,321,478</b>	<b>43,557,198</b>	<b>(60,025,061)</b>	<b>103,853,615</b>	<b>1,520,000</b>
Debt service assistance program	14,365,714	-	(683,982)	13,681,732	715,683
Capital leases payable	3,653,190	-	(1,082,302)	2,570,888	984,276
HPD pension liability	2,658,112	981,687	-	3,639,799	-
Net post employment benefit obligation	1,889,518	277,397	-	2,166,915	-
Compensated absences	1,807,613	-	(106,995)	1,700,618	105,000
	<b>\$ 144,695,625</b>	<b>\$ 44,816,282</b>	<b>\$ (61,898,340)</b>	<b>\$ 127,613,567</b>	<b>\$ 3,324,959</b>

	<u>July 1, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2012</u>	<u>Due within one year</u>
<b>Bonds payable:</b>					
Revenue bonds	\$ 106,760,000	\$ 15,495,000	\$ -	\$ 122,255,000	\$ 325,000
Bond premium and discounts	(754,407)	-	30,057	(724,350)	-
Refunding loss	(1,299,889)	-	90,717	(1,209,172)	-
<b>Total bonds payable</b>	<b>104,705,704</b>	<b>15,495,000</b>	<b>120,774</b>	<b>120,321,478</b>	<b>325,000</b>
Debt service assistance program	14,365,679	35	-	14,365,714	683,947
Capital leases payable	3,870,786	738,267	(955,863)	3,653,190	969,820
HPD pension liability	1,773,694	884,418	-	2,658,112	-
Net post employment benefit obligation	1,579,370	310,148	-	1,889,518	-
Compensated absences	1,488,199	404,186	(84,772)	1,807,613	105,000
	<b>\$ 127,783,432</b>	<b>\$ 17,832,054</b>	<b>\$ (919,861)</b>	<b>\$ 144,695,625</b>	<b>\$ 2,083,767</b>

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**6. RISK MANAGEMENT, CONTINGENCIES AND COMMITMENTS**

The Port is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Port carries commercial liability and property insurance. The Port is self-insured for workers' compensation and general maritime claims ("Jones Act"). The Port continues to be liable for each such claim up to \$1,000,000, with judgments and settlements over the \$1,000,000 limit being covered by the Port's umbrella liability policy up to \$50,000,000 for each occurrence. For the years ended June 30, 2013 and 2012, the Port's expenses for workers' compensation and other liability claims were \$390,702 and \$336,036, respectively. There were no expenses related to police professional liability incurred during 2013 and 2012. For each of the past three years, there were no settlements that exceeded the Port's insurance coverage.

As of June 30, 2013, the Port has determined, through an analysis of historical experience, the adequacy of the liability recorded to cover all losses and claims, both incurred and reported and incurred but not reported, under its self-insurance programs. These amounts are not discounted.

A summary of activity in the liability for claims, which are included in other liabilities, is as follows:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Balance, beginning of year	\$ 1,184,404	\$ 1,124,592	\$ 1,344,248
Provision for claims	-	336,036	275,416
Benefit payments, net of recoveries	<u>(106,290)</u>	<u>(276,224)</u>	<u>(495,072)</u>
Balance, end of year	<u>\$ 1,078,114</u>	<u>\$ 1,184,404</u>	<u>\$ 1,124,592</u>

The Port is a party to various legal proceedings incidental to its business. There are several lawsuits pending in which the Board is named as a defendant by longshoremen claiming asbestosis-related injuries because the Board at one time had asbestos materials cross its wharves. Certain other claims, suits and complaints arising in the ordinary course of business have been filed or are pending against the Port. The resolution of these matters is not expected to have a material adverse effect on the financial statements of the Port.

The Port is also a party to various legal proceedings related to Hurricane Katrina. Six cases remain based on alleged Board liability arising from the flooding that occurred after Katrina. Five have been inactive for several years and are in effect all but abandoned. The Board has been dismissed from one other case that is proceeding without it, but the plaintiff's right to appeal the dismissal will remain until the entire case is litigated. Outside counsel appointed by the Board's general liability underwriters continue to monitor all cases. No amounts have been provided relating to these legal proceedings.



**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**6. RISK MANAGEMENT, CONTINGENCIES AND COMMITMENTS (continued)**

The Port receives financial assistance directly from Federal agencies which are subject to audit and final acceptance by these agencies. In the opinion of management, amounts that might be subject to disallowance upon final audit, if any, would not have a material effect on the Port's financial position.

**7. REVENUES AND LEASES**

Revenues of the Port are reported net of estimated uncollectible amounts. Total estimated uncollectible amounts related to accounts receivable were \$626,308 and \$965,622 at June 30, 2013 and 2012, respectively.

The Port leases to others substantially all of its land, property and equipment under various operating lease agreements. For the year ended June 30, 2013, two lessees accounted for 20% and 16% of operating revenues, respectively. For the year ended June 30, 2012, two lessees accounted for 20% and 17% of operating revenues, respectively. Operating lease rental income was \$25,416,981 and \$22,505,298 during the years ended June 30, 2013 and 2012, respectively.

As of June 30, 2013, future minimum rental payments to be received under operating leases that have initial or remaining non-cancelable lease terms in excess of one year are as follows:

2014	\$	20,679,935
2015		16,173,163
2016		15,866,308
2017		15,511,909
2018		15,118,383
Thereafter		42,422,318
Total future minimum lease payments	\$	<u>125,772,016</u>

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**8. RETIREMENT PLANS**

Substantially all of the Port's employees are required by State law to participate in retirement plans administered by the Louisiana State Employees' Retirement System ("LASERS") or the Harbor Police Employees' Retirement System ("HPERS"). LASERS and HPERS are both single employer defined benefit plans.

Disclosures relating to these plans are as follows:

**A. LOUISIANA STATE EMPLOYEES' RETIREMENT SYSTEM**

The plan provides for a retirement option designated as the Deferred Retirement Option Plan (DROP). This option permits LASERS members to continue working at their state jobs for up to three years while in a retired status. DROP allows these retirees to accumulate retirement benefits in a special account for later distribution.

*Funding policy* - The LASERS is a defined benefit contributory pension plan to which employees contributed 7.5% of their salaries if hired prior to July 1, 2006 and 8.0% if hired after July 1, 2006. For the years ended June 30, 2013 and 2012, the Port contributed 29.1% and 25.6% of the employees' salaries toward future benefits respectively. Provisions for employer and employee contributions are in LRS 42:651; 712; 712.1; 712.3.

Ten-year historical trend information showing the LASERS's progress in accumulating sufficient assets to pay benefits when due is presented in the LASERS's June 30, 2011 audited financial reports. The LASERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Louisiana State Employees' Retirement System, Post Office Box 44213, Baton Rouge, LA 70804-4213.

Total contributions for the years ended June 30, 2013, 2012 and 2011 were \$4,206,513, \$3,431,724 and \$2,977,989, respectively. These amounts are equal to the required contributions for each of these three years. Contributions for the year ended June 30, 2013 consisted of employee contributions of \$870,151 and employer contributions of \$3,336,362. Contributions for the year ended June 30, 2012 consisted of employee contributions of \$785,411 and employer contributions of \$2,646,314.

**B. HARBOR POLICE EMPLOYEES' RETIREMENT SYSTEM**

*Plan Description* - All commissioned members and certain employees of the Harbor Police Department of the Port who are under the age of 50 on the date of employment are eligible to participate in the HPERS, established within Title 11 Chapter 3 of the Louisiana Revised Statutes, a single employer defined benefit pension plan administered by an eight member Board of Trustees.

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**8. RETIREMENT PLANS (continued)**

**B. HARBOR POLICE EMPLOYEES' RETIREMENT SYSTEM (continued)**

The Port's total payroll for the years ended June 30, 2013 and 2012 was \$16,981,202 and \$16,318,234, respectively, of which \$1,614,737 and \$1,618,944, in covered payroll, respectively, related to participants in the HPERS.

Member benefits are equal to 3 1/3% of average final compensation, as defined, multiplied by creditable service years, not to exceed 100% of final salary. However, if a person retires before age 50, the benefit is 2 1/2% of average final compensation, as defined, multiplied by creditable service years, not to exceed 85% of final salary. Members are eligible to retire if hired before July 1, 2006 at any age with 30 years of service, at age 60 with 10 years of service and at age 45 with 20 years of service. If members are hired after July 1, 2006, members are eligible to retire at age 60 with 5 years of service or more. The HPERS also provides benefits for surviving spouses and disabled members. If a member resigns from the Police Department before retirement, accumulated employee contributions are refunded to the employee without interest. Cost-of-living adjustments are provided to members and beneficiaries at the discretion of the Board of Trustees subject to certain constraints.

The plan provides for a retirement option designated as the Deferred Retirement Option Plan (DROP). This option permits HPERS members to continue working at their jobs for up to five years while in a retired status. DROP allows these retirees to accumulate retirement benefits in a special account for later distribution.

The HPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Harbor Police Retirement System, Post Office Box 60046, New Orleans, LA 70160.

*Funding Policy* - Employees are required to contribute 9.0% of their covered payroll to the HPERS. The Port is required to make contributions to the HPERS at actuarially determined rates expressed as a percentage of members' covered payroll, not to exceed 20.0%. Level percentage of payroll employer contribution rates are determined using the entry age normal actuarial method until assets exceed accrued actuarial liabilities, at which point the aggregate actuarial cost method is used. The Port funded (including fines) 12.91% and 12.99% of the members' covered payroll for fiscal years ended June 30, 2013 and 2012, respectively.

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**8. RETIREMENT PLANS (continued)**

**B. HARBOR POLICE EMPLOYEES' RETIREMENT SYSTEM (continued)**

*Annual Pension Cost and Net Pension Obligation* - The Port's annual pension cost and net pension obligation to HPERS are as follows:

	2013	2012
Annual required contribution	\$ 1,484,354	\$ 1,340,003
Interest on net pension obligation	186,068	124,159
Adjustment to annual required contribution	(344,952)	(234,418)
Annual pension cost	1,325,470	1,229,744
Contributions made	(343,783)	(345,326)
Increase in net pension obligation	981,687	884,418
Net pension obligation, beginning of year	2,658,112	1,773,694
Net pension obligation, end of year	\$ 3,639,799	\$ 2,658,112

The annual required contributions for 2013 and 2012 were determined based on actuarial valuations using the aggregate actuarial cost method. Because the method does not identify or separately amortize unfunded actuarial liabilities, information about the funded status is prepared using the entry age actuarial cost method and is intended to serve as a surrogate for the funded status of the Plan. The actuarial assumptions included (a) the determination of life expectancy based on the 1971 Group Annuity Mortality Table, (b) the determination of participant retirements based on an expected retirement age of 63 years, (c) an assumed average rate of return on investment of 7.0%, and (d) projected salary increases of 5.0% per year (2.5% increase for inflation and 2.5% increase for seniority and merit raises).

The assumptions did not include postretirement benefit increases. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a four-year period.

Three-Year Trend Information			
Fiscal Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Benefit)
2011	\$ 914,592	25.0	\$ 1,773,694
2012	\$ 1,229,744	28.0	\$ 2,658,112
2013	\$ 1,325,470	26.0	\$ 3,639,799

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**8. RETIREMENT PLANS (continued)**

**B. HARBOR POLICE EMPLOYEES' RETIREMENT SYSTEM (continued)**

As of June 30, 2013, the most recent actuarial valuation date, the plan was 57.65% funded. The actuarial accrued liability for benefits was \$17.4 million, and the actuarial value of assets was \$10 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$7.3 million.

The covered payroll (annual payroll of active employees covered by the plan) was \$1.7 million, and the ratio of the UAAL to the covered payroll was 230.0%.

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents current year information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits. Multiyear trend information will be presented in future years.

The following is a summary of the statement of plan net assets available for benefits as of June 30, 2013 and 2012 and changes in net assets for the years then ended:

<u>Statement of Plan Net Assets</u>	<u>2013</u>	<u>2012</u>
Investments at fair value	\$ 10,224,558	\$ 9,262,969
Cash equivalents – LAMP	302,540	476,505
Contributions receivable	66,610	51,086
Liabilities	<u>(21,805)</u>	<u>(17,713)</u>
Net assets available for benefits	<u>\$ 10,571,903</u>	<u>\$ 9,772,847</u>

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**8. RETIREMENT PLANS (continued)**

**B. HARBOR POLICE EMPLOYEES' RETIREMENT SYSTEM (continued)**

<u>Statement of Changes in Net Assets</u>	<u>2013</u>	<u>2012</u>
<b>Additions (Reductions):</b>		
Contributions	\$ 588,711	\$ 496,142
Investment income including		
Unrealized gains (losses)	1,437,673	(545,302)
Total additions (reductions)	<u>2,026,384</u>	<u>(49,160)</u>
<b>Deductions:</b>		
Benefits paid	795,369	883,352
DROP Benefit payments	283,794	158,896
Refunds and transfers of contributions	1,107	2,480
Administrative expenses	147,058	143,809
Total deductions	<u>1,227,328</u>	<u>1,188,537</u>
Increase (decrease) in plan net assets	799,056	(1,237,697)
<b>Net assets available for benefits:</b>		
Beginning of year	9,772,847	11,010,544
End of year	<u>\$ 10,571,903</u>	<u>\$ 9,772,847</u>

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**9. OTHER POST-EMPLOYMENT BENEFITS**

*Plan Description* – The Port of New Orleans' medical benefits are provided through a comprehensive medical plan and are made available to employees upon actual retirement.

The employees are covered by a retirement system whose retirement eligibility (D.R.O.P. entry) provisions are as follows: 30 years of service at any age; age 55 and 25 years of service; or, age 60 and 10 years of service. For employees hired on or after July 2, 2006, the retirement eligibility is age 60 and 10 years of service.

There is a closed group of 57 retirees for whom the employer currently pays approximately 80% of the premium; there will not be any additions to this group in the future. We have calculated the ARC for this group and included the results in Appendix I. You will note that the ARC is less than the current annual premiums which are being paid by the employer, thus generating a negative net ARC after crediting the employer paid retiree premiums. All of the assumptions used for the valuation of the medical benefits have been used except for the trend assumption; zero trend was used for life insurance.

*Contribution Rates* – Employees do not contribute to their post employment benefits costs until they become retirees and begin receiving those benefits. The plan provisions and contribution rates are contained in the official plan documents.

*Fund Policy* – Until 2008, the Port of New Orleans recognized the cost of providing post-employment medical and life insurance benefits (the Port of New Orleans' portion of the retiree medical and life insurance benefit premiums) as an expense when the benefit premiums were due and thus financed the cost of the post-employment benefits on a pay-as-you-go basis. In 2013 and 2012, the Port of New Orleans' portion of health care and life insurance funding cost for retired employees totaled \$843,424 and \$965,895, respectively.

Effective July 1, 2008, the Port of New Orleans implemented Government Accounting Standards Board Statement Number 45, *Accounting and Financial Reporting by Employers for Post employment Benefits Other than Pensions* (GASB 45). This amount was applied toward the Net OPEB Benefit Obligation as shown in the following table.

*Annual Required Contribution* – The Port of New Orleans' Annual Required Contribution (ARC) is an amount actuarially determined in accordance with GASB 45. The ARC is the sum of the Normal Cost plus the contribution to amortize the Unfunded Actuarial Accrued Liability (UAAL). A level dollar, open amortization period of 30 years (the maximum amortization period allowed by GASB 43/45) has been used for the post-employment benefits. The actuarially computed ARC is as follows:

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**9. OTHER POST-EMPLOYMENT BENEFITS (continued)**

	2013	2012
Normal Cost	\$ 294,341	\$ 339,345
30-year UAL amortization amount	860,171	964,859
Annual required contribution (ARC)	<u>\$ 1,154,512</u>	<u>\$ 1,304,204</u>

*Net Post-employment Benefit Obligation (Asset)* - The table below shows Port of New Orleans' Net Other Post-employment Benefit (OPEB) Obligation (Asset) for fiscal year ending June 30:

	2013	2012
Beginning Net OPEB Obligation	\$ 1,889,518	\$ 1,579,370
Annual required contribution	1,154,512	1,304,204
Interest on Net OPEB Obligation	75,581	63,174
ARC Adjustment	<u>(109,271)</u>	<u>(91,335)</u>
OPEB Cost	1,120,822	1,276,043
Contribution	-	-
Current year retiree premium	<u>(843,425)</u>	<u>(965,895)</u>
Change in Net OPEB Obligation	<u>277,397</u>	<u>310,148</u>
Ending Net OPEB Obligation	<u>\$ 2,166,915</u>	<u>\$ 1,889,518</u>

The following table shows the Port of New Orleans' annual post employment benefits (PEB) cost, percentage of the cost contributed, and the net unfunded post employment benefits (PEB) liability as June 30, 2013 and 2012:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual Cost Contributed</u>	<u>Net OPEB Liability</u>
2013	\$ 1,120,822	75.25%	\$ 2,166,915
2012	\$ 1,276,043	75.69%	\$ 1,889,518

*Funded Status and Funding Progress* - In the fiscal years ending June 30, 2013 and 2012, the Port of New Orleans made no contributions to its post employment benefits plan. The plan is not funded, has no assets, and hence has a funded ratio of zero. Based on July 1, 2012 actuarial valuation, the most recent valuation, the Actuarial Accrued Liability (AAL) at the end of the year June 30, 2013 was \$14,874,222, which is defined as that portion, as determined by a particular actuarial cost method (the Port of New Orleans uses the Projected Unit Credit Cost Method), of the actuarial present value of post employment plan benefits and expenses which is not provided by normal cost.



**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**9. OTHER POST-EMPLOYMENT BENEFITS (continued)**

	2013	2012
Actuarial Accrued Liability (AAL)	\$ 14,874,22	\$ 16,684,601
Actuarial Value of Plan Assets	-	-
Unfunded Act. Accrued Liability (UAAL)	\$ 14,874,22	\$ 16,684,601
Funded Ratio (Act. Val. Assets/AAL)	-	-
 Covered Payroll (active plan members)	 \$ 14,240,698	 \$ 13,627,640
UAAL as a percentage of covered payroll	104.45%	122.43%

*Actuarial Methods and Assumptions* - Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. The actuarial valuation for post employment benefits includes estimates and assumptions regarding (1) turnover rate; (2) retirement rate; (3) health care cost trend rate; (4) mortality rate; (5) discount rate (investment return assumption); and (6) the period to which the costs apply (past, current, or future years of service by employees). Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The actuarial calculations are based on the types of benefits provided under the terms of the substantive plan (the plan as understood by the Port of New Orleans and its employee plan members) at the time of the valuation and on the pattern of sharing costs between the Port of New Orleans and its plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the Port of New Orleans and plan members in the future. Consistent with the long-term perspective of actuarial calculations, the actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial liabilities and the actuarial value of assets.

*Actuarial Cost Method* - The ARC is determined using the Projected Unit Credit Cost Method. The employer portion of the cost for retiree medical care in each future year is determined by projecting the current cost levels using the healthcare cost trend rate and discounting this projected amount to the valuation date using the other described pertinent actuarial assumptions, including the investment return assumption (discount rate), mortality, and turnover.

*Actuarial Value of Plan Assets* - Since the OPEB obligation has not as yet been funded, there are not any plan assets. It is anticipated that in future valuations, should funding take place, a smoothed market value consistent with Actuarial Standards Board Actuarial Standards of Practice Number 6 (ASOP 6), as provided in paragraph number 125 of GASB Statement 45.

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**9. OTHER POST-EMPLOYMENT BENEFITS (continued)**

*Turnover Rate* - An age-related turnover scale based on actual experience as described by administrative staff has been used. The rates, when applied to the active employee census, produce an annual turnover of approximately 10.0%.

*Post employment Benefit Plan Eligibility Requirements* - It has been assumed that entitlement to benefits will commence upon actual retirement which, in turn, has been assumed to be four years after the initial retirement (D.R.O.P. entry) eligibility described in the section above entitled "Plan Description". This four years comprises three years in the D.R.O.P. plus one additional year. Medical benefits are provided to employees upon actual retirement.

*Investment Return Assumption (Discount Rate)* - GASB Statement 45 states that the investment return assumption should be the estimated long-term investment yield on the investments that are expected to be used to finance the payment of benefits (that is, for a plan which is funded). Based on the assumption that the ARC will not be funded, a 4% annual investment return has been used in this valuation.

*Health Care Cost Trend Rate* - The expected rate of increase in medical cost is based on a graded schedule beginning with 8% annually, down to an ultimate annual rate of 5.0% for ten years out and later.

*Mortality Rate* - The 1994 Group Annuity Reserving (94GAR) table, projected to 2002, based on a fixed blend of 50% of the unloaded male mortality rates and 50% of the unloaded female mortality rates, is used. This is a recently published mortality table which has been used in determining the value of accrued benefits in defined benefit pension plans. Projected future mortality improvement has not been used since it is our opinion that this table contains sufficiently conservative margin for the population involved in this valuation.

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**9. OTHER POST-EMPLOYMENT BENEFITS (continued)**

*Method of Determining Value of Benefits* – The "value of benefits" has been assumed to be the portion of the premium after retirement date expected to be paid by the employer for each retiree and has been used as the basis for calculating the actuarial present value of OPEB benefits to be paid. The employer pays 80% of the "base premium" (that is, not including the "buy up" additional portion) of the medical benefits for the retirees and dependents prior to Medicare eligibility at age 65. The medical rates provided applicable before Medicare eligibility at age 65 are "blended" rates for active and retired. Since GASB 45 mandates that "unblended" rates be used, we have estimated the "unblended" medical rates for retired before Medicare eligibility to be 130% of the blended rate. After Medicare eligibility, the employer pays 60% of the applicable premium for either the Hartford Senior Care Plan or the Humana HMO Medicare Advantage Plan. As of this valuation date, approximately 40% of the retirees over age 65 are in the Medicare Advantage Plan. It has been assumed that the same percentage will prevail in the future and that 40% of currently active employees and those currently retired who are before age 65 will elect the Medicare Advantage Plan. The Port of New Orleans has adopted a provision limiting the employer portion of the premium paid to 200% of the prevailing employer portion of the premium paid under the 2008 premium scale.

*Inflation Rate* - Included in both the Investment Return Assumption and the Healthcare Cost Trend rates above is an implicit inflation assumption of 2.50% annually.

*Projected Salary Increases* - This assumption is not applicable since neither the benefit structure nor the valuation methodology involves salary.

*Post-retirement Benefit Increases* - The plan benefit provisions in effect for retirees as of the valuation date have been used and it has been assumed for valuation purposes that there will not be any changes in the future.

Below is a summary of OPEB cost and contributions for the last three fiscal years:

	<b><u>OPEB Costs and Contributions</u></b>		
	<u>2013</u>	<u>2012</u>	<u>2011</u>
OPEB Cost	\$ 1,120,822	\$ 1,276,043	\$ 1,231,900
Contribution	-	-	-
Retiree premium	843,424	965,895	894,348
Total contribution and premium	843,424	965,895	894,348
Change in net OPEB obligation	\$ 277,398	\$ 310,148	\$ 337,552
% of contribution to cost	0.00%	0.00%	0.00%
% of contribution plus premium to cost	72.60%	75.69%	75.25%

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**10. CONDUIT DEBT**

From time to time, the Port has issued Industrial Revenue Bonds to provide assistance for private-sector entities for Port related projects that are deemed to be in the public interest. The Port is not obligated for repayment of the bonds. Accordingly, the bonds are not reported in the accompanying financial statements.

Industrial revenue bonds in the amount of \$35,600,000 were issued by the Port on July 1, 1981, for the account of Avondale Shipyards, Inc. (a wholly-owned subsidiary of Ogden Management Corporation) for the purpose of financing a floating dry dock and support facilities to be moored within the jurisdiction of the Port as part of the public port. Industrial revenue bonds in the amount of \$36,250,000 were issued on June 1, 1983, to provide funds for the purpose of refunding the bonds issued on July 1, 1981. Industrial revenue bonds in the amount of \$36,250,000 were issued on April 1, 1994, to provide funds for the purpose of refunding the bonds issued on June 1, 1983, and will mature in 2014. The bonds are limited obligations of the Port, payable solely from and secured by a pledge of the revenues to be received pursuant to an Installment Sales Agreement and by an unconditional guarantee by Ogden Management Corporation. The aggregate amount outstanding at June 30, 2013 is not readily determinable by the Port.

Port facility revenue bonds in the amount of \$3,700,000 were issued on June 8, 2000 for the account of New Orleans Steamboat Company for the purpose of constructing a facility within the jurisdiction of the Port as part of the public port. At June 30, 2013, \$3,500,000 is outstanding. The bonds are limited obligations of the Port, secured by a letter of credit issued by First Bank and Trust in New Orleans and a confirming letter of credit of the Federal Home Loan Bank in New Orleans for the account of New Orleans Steamboat Company.

Port facility revenue bonds in the amount of \$7,500,000 were issued on November 1, 2002 for the account of New Orleans Cold Storage and Warehouse Company Limited (NOCS) for the purpose of constructing a cold storage facility. On June 7, 2012, NOCS restructured and reissued the bonds in a private placement with JPMorgan Chase Bank, N.A. Previous to this date, the bonds were secured by a letter of credit issued by the Whitney National Bank in New Orleans for the account of NOCS. This security was cancelled with the reissuance. At June 30, 2013, \$7,125,000 remains outstanding. The bonds are limited obligations of the Port.

In March 2005, the Port entered into a cooperative endeavor agreement with the Louisiana Department of Economic Development (DED) and CG Railway, Inc. to provide a portion of the financing for an approximately \$43,500,000 rail car cargo facility. Under the agreement, the DED provided \$15,000,000 of the project costs through the issue of special project revenue bonds. Special Project Revenue Bonds in the amount of \$16,670,000 were issued on May 24, 2005 for this purpose. The bonds are limited obligations of the Port, payable solely from and secured by the State of Louisiana. The outstanding principal of these bonds was refunded in February of 2013, see below.

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS**

**10. CONDUIT DEBT (continued)**

The agreement was amended April 2006 as a result of the discontinuance of the dredging of siltation in and around the Mississippi River Gulf Outlet following Hurricane Katrina, which rendered many of the obligations under the agreement impossible and required that any items not needed by the Port for maritime commerce be sold and the proceeds turned over to the State of Louisiana to help defray the costs of the project. In September 2006, the Port sold some of the items declared as surplus to the Port's needs for maritime commerce to CG Railway, Inc. for \$2,500,000. This amount was submitted to the DED.

On February 1, 2013 the State of Louisiana and the Port issued \$3,310,000 of Board of Commissioners of the Port of New Orleans Port Facility Special Project Refunding Revenue Bonds (State/CG Railway, Inc. Project), Series 2013. The purpose of the issue was to provide sufficient funds to refund the remaining principal on the Series 2005 Board of Commissioners of the Port of New Orleans Special Project Revenue Bonds (State/CG Railway, Inc. Project) issued on May 24, 2005. The refunding was accomplished through a private placement with Capital One Public Funding, LLC.. The interest rate is 1.40% with a maturity of August 15, 2015. The refunding was entered into for the reason of future interest savings. The State advanced refunded the bonds to reduce total gross debt service payments through June 30, 2015 by \$278,378 and to obtain an economic gain of \$273,934. At June 30, 2013, \$3,310,000 is outstanding.

**11. NATURAL DISASTER**

On August 29, 2005, the New Orleans region suffered significant damage to property and lives when Hurricane Katrina struck the Gulf Coast area. The Port of New Orleans did not suffer the devastation that other public entities realized in the area, but did sustain damage to facilities and loss of revenue. The Port facilities along the river suffered moderate damage. Facilities along the Industrial Canal suffered severe damage. The Port had insurance in place to cover most of the property damage and business interruption insurance to offset some of the revenue loss. For losses above the insurance receipts the Port is pursuing reimbursement through FEMA.

On August 28, 2012, Hurricane Isaac made landfall on the Louisiana and Mississippi coast causing severe flooding and wind damage to coastal areas. The Port of New Orleans suffered minor damages from Isaac. Emergency preparation and repairs were approximately \$814,000 of which FEMA reimbursed \$338,000. Other damage to port property was approximately \$2.0 million. The Port is pursuing additional claims with FEMA and with the insurer. As of the financial statement date it is unknown whether these claims will be successful.

**12. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through the date that the financial statements were available to be issued, September 18, 2013, and determined no subsequent events require disclosure.

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**REQUIRED SUPPLEMENTARY INFORMATION**

**HARBOR POLICE EMPLOYEES' RETIREMENT SYSTEM**

**SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
06/30/2013	10,057,231	17,445,466	7,388,235	57.65%	1,614,737	457.6%
06/30/2012	11,108,029	17,046,368	5,938,339	65.16%	1,618,944	366.8%
06/30/2011	12,182,061	16,461,720	4,279,659	74.00%	1,490,146	287.2%
06/30/2010	12,824,215	16,083,647	3,259,432	79.73%	1,678,247	194.2%
06/30/2009	12,824,215	16,083,647	3,259,432	79.73%	1,579,359	206.4%

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**REQUIRED SUPPLEMENTARY INFORMATION**

**POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS**

**SCHEDULE OF FUNDING PROGRESS**

**RETIREE HEALTH AND LIFE INSURANCE BENEFITS**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
06/30/2013	-	14,874,222	14,874,222	0.00%	14,240,698	104.4%
06/30/2012	-	16,684,601	16,684,601	0.00%	13,627,640	122.4%
06/30/2011	-	16,042,886	16,042,886	0.00%	13,100,142	122.5%
06/30/2010	-	18,349,641	18,349,641	0.00%	13,127,850	139.8%

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**BOARD OF COMMISSIONERS OF**  
**THE PORT OF NEW ORLEANS**

**SINGLE AUDIT REPORTS**

**JUNE 30, 2013**

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**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS  
NEW ORLEANS, LOUISIANA**

Single Audit Reports

June 30, 2013

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

The Board of Commissioners of the  
Port of New Orleans:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Board of Commissioners of the Port of New Orleans (the Port), as of and for the year June 30, 2013, and the related notes to the financial statements, and have issued our report thereon dated September 18, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Port's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Port's internal control. Accordingly, we do not express an opinion on the effectiveness of the Port's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Port's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Port in a separate letter dated September 18, 2013.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



Metairie, Louisiana  
September 18, 2013

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-  
133 AND THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

The Board of Commissioners of the  
Port of New Orleans:

**Report on Compliance for Each Major Federal Program**

We have audited the Port of New Orleans' (the Port) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Port's major federal programs for the year ended June 30, 2013. The Port's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Port's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Port's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Port's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the Port complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

## **Report on Internal Control Over Compliance**

Management of the Port is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Port's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Port's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

## **Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

We have audited the financial statements of the Port as of and for the year ended June 30, 2013, and have issued our report thereon dated September 16, 2013, which contained unqualified opinions on those financial statements. Our audit was performed for the purpose of forming our opinions on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

This report is intended solely for the information of the Port, the Port's management and federal awarding agencies and pass-through entities, such as the Louisiana and Legislative Auditor's Office, and is not intended to be and should not be used by anyone other than these specified parties. However under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



Metairie, Louisiana  
September 18, 2013

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS  
NEW ORLEANS, LOUISIANA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2013**

<u>Federal Grantor/Program Title</u>	<u>CFDA No.</u>	<u>Federal Expenditures (1)</u>
<u>United States Department of Homeland Security -</u>		
Passed through the State of Louisiana Office of Homeland Security and Emergency Preparedness Disaster Grants - Public Assistance	97.036	15,177,499
Passed through the Office of State and Local Government Coordination and Preparedness Port Security Grant Program 2006 Port Security Grant	97.056	<u>1,154,434</u>
Total United States Department of Homeland Security		<u>16,331,933</u>
Total Federal Assistance Expended		<u><u>\$ 16,331,933</u></u>

**FOOTNOTES**

**(1) Basis of Presentation**

This schedule includes the federal grant activity of the Port of New Orleans and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements on OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**SECTION I-SUMMARY OF AUDIT RESULTS**

**FINANCIAL STATEMENTS**

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? ☐ Yes ☒ No

Significant deficiencies identified that are not considered to be material weaknesses? ☐ Yes ☒ No

Noncompliance material to financial statements notes? ☐ Yes ☒ No

**FEDERAL AWARDS**

Internal control over major programs:

Material weaknesses identified? ☐ Yes ☒ No

Significant deficiencies identified that are not considered to be material weaknesses? ☐ Yes ☒ None

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? ☐ Yes ☒ No

Identification of major programs:

United States Department of Homeland Security, Office of State and Local Government –  
Coordination and Preparedness – Port Security Grant (CFDA number 97.056)

United States Department of Homeland Security, Office of Domestic Preparedness – Federal  
Emergency Management Agency – FEMA (CFDA number 97.036)

Dollar threshold used to distinguish between types A and B programs: \$489,958

Audit qualified as low-risk auditee: ☒ Yes ☐ No



**BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS**  
**NEW ORLEANS, LOUISIANA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**SECTION II-FINANCIAL STATEMENT FINDINGS**

None

**SECTION III-FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None

**SECTION IV-STATUS OF PRIOR YEAR FINDINGS**

None



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To the Board of Commissioners  
Port of New Orleans

In planning and performing our audit of the financial statements of the Board of Commissioners of the Port of New Orleans as of and for the year ended June 30, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered the Port's internal control over financial reporting (internal control) as a basis for designing our audit procedures for the purpose of expressing an opinion on the effectiveness of the Port's internal control. Accordingly, we do not express an opinion on the effectiveness of the Port's internal control.

However, during our audit we became aware of several matters as listed in Attachment I that are opportunities for strengthening internal controls and operating efficiency. We previously reported on the Port's internal control in our *Government Auditing Standards* letter dated September 18, 2013. This letter does not affect our report dated September 18, 2013 on the financial statements of the Port.

We will review the status of these comments during our next audit engagement. We have discussed many of these comments and suggestions with management and we will be pleased to discuss them in further detail at your convenience.

The Port's written responses to the comments identified in Attachment I have not been subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Commissioners, the State of Louisiana and the Legislative Auditor's Office and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Metairie, Louisiana  
September 18, 2013

**BOARD OF COMMISSIONERS FOR THE PORT OF NEW ORLEANS**

**MANAGEMENT LETTER COMMENTS**

**FOR THE YEAR ENDED JUNE 30, 2013**

**2013-1 Brazil Financial Audit**

**Condition:** The Port funds a bank demand deposit account in Brazil for the purpose of funding certain expenses related to its development and operating activities in South America. The account is periodically reimbursed for expenses submitted by its local representative. At the request of management, the expense reimbursement requests for 2002 through 2012 were reviewed by the Internal Audit department. The Port noted certain deficiencies in the local representative's recap of supporting documentation and inadequate procedures performed in the review process resulting in improper requests and approvals for reimbursements over the ten year period. The Port is requesting reimbursement of approximately \$68,000, of which almost \$13,000 has been paid.

**Recommendation:** We recommend that the Port establish and monitor a formal policy of reimbursement procedures for its branch offices, including monitoring professional contracts and related fees, reconciling imprest funds monthly, and obtaining proper and clearly documented supports of business expenses submitted for reimbursement.

**Management Response and Corrective Action:** The local representative has agreed to pay the remaining \$55,000 and has signed a payment agreement to do so. Considering the audit findings, the Board will review current procedures related to reimbursement procedures, contract compliance, reconciliation of funds and proper supports and will develop a formal policy for the overall control of branch offices and imprest accounts.